January 31, 2025

U.S. Federal Trade Commission
U.S. Department of Justice
U.S. Securities and Exchange Commission
California Department of Justice
UK Competition & Markets Authority
European Commission Digital Markets Authority
Ontario Securities Commission
Via web portal and email

Re: Conspiracy to Violate Antitrust Laws by Amazon and Covariant

I. Introduction

1. This is a followup disclosure to SEC TCR #17366-332-249-015, filed January 11, 2025, and simultaneous filings with the other recipients listed above. I am a lawyer representing the anonymous whistleblower in this matter.[1]

2. On August 30, 2024, Amazon executed a "Reverse Acquisition-Hire"[2] of Covariant,[3] a Delaware corporation headquartered in California, which had built the leading artificial intelligence (AI) platform for robotic applications, especially warehouses. My client can prove that the transaction was deliberately and unlawfully structured to evade antitrust enforcement, and FTC review required under the Hart-Scott-Rodino Act.

3. Although Amazon spent more than $400 million in the transaction, it did not purchase Covariant outright. Instead, Amazon acquired all of Covariant's key assets—its core talent and a perpetual license for all of Covariant's technology—while insisting that a

[1] Although the undersigned, as counsel, has prepared this disclosure for submission, my client has reviewed its contents and, where a factual statement is asserted, confirms its veracity. When such factual statements do not include a citation to a supporting document, the positions espoused here are my client's. On information and belief, nothing in the instant disclosure or its enclosures is subject to Attorney-Client Privilege by Amazon or Covariant.
[2] All publicly-reported reverse acqui-hires to date have involved artificial intelligence companies, and the earliest we are aware of was only ten months ago, when Microsoft acquired Inflection AI in March 2024. Since then, Amazon acquired Adept AI in July 2024, then Covariant. In October 2024, Google used a reverse acqui-hire to acquire Character AI. Covariant is unique among these transactions in that all the others were focused on AI for natural language, whereas Covariant focuses on AI for robotics.
[3] At its height, Covariant employed about 120 staff.

"Zombie" non-competitive version of Covariant must stay alive for 365 days after the transaction, to provide a fig leaf of deniability about the nature of this deal.

4. Although the transaction documents do not explicitly state a motive, we need not speculate. That's because **my client lawfully obtained a recording** of Ted Stinson, Covariant's pre-transaction board member, post-transaction CEO and Amazon's antitrust co-conspirator, **stating directly that the transaction was structured deliberately to evade antitrust enforcement**. The full transcript of the recording is enclosed, and a copy of the recording itself is available to government investigators upon request.

II. Anomalous Transaction Terms

5. We are not aware of any prior reporting on specific terms of such Reverse Acquisition-Hire deals like this. The terms of the deal, spelled out in the transaction documents enclosed here, are remarkable.

6. Despite publicly describing its license for Covariant AI as "non-exclusive," Covariant may not freely sell licenses for its own IP going forward. Amazon insisted on elaborate restrictions on the price, the content, and/or the buyers of any license, terms which make it effectively impossible for Zombie Covariant from profitably licensing its best technology in the future.

7. The relevant language is on page 110-111 of the transaction documents. Here's how it works:

    a. If today BigCorp wanted to buy "any material or critical portion" of the IP subject to the license Amazon holds, Amazon could recoup the price difference between what BigCorp pays and the $400M fee Amazon paid.

    b. For Covariant, this means finding a buyer who wants the same models, without the research team, and is willing to pay $200M or more. At or below $200M, all proceeds go to Amazon, leaving Covariant with $0. Covariant only profits on amounts exceeding this threshold. But because, as Ted Stinson stated, most of the value of the transaction was in the hiring of the top talent, and no other company will be willing to pay $200M for abandonware, without the institutional knowledge transfer from continuing model architects.

8. The exceptions to this "recoup" clause are:

a. Customers / service providers / systems integrators, who may not obtain the neural net weights / weight recipes (which is essential to improve or update the AI model). In practice the models need to be fine-tuned to achieve maximum reliability on new products which vary by region or seasonally. Without having access to weights or recipes these models will get no such regular updates.

b. Amazon-approved parties listed on Schedule B (which we don't have), who can receive model weights / weight recipes, but only for smaller/ less-sophisticated models with less than one billion parameters, and cannot sub-license even those smaller models.

c. But in none of these exceptions can any future party acquire and freely sub-license all the model weights and weight recipes for the best models.

9. The recoup clause applies for one year, which is quite long in the world of AI development. After one year, Covariant's IP will be significantly less valuable. Moreover, Zombie Covariant's demise following the one-year period is explicitly contemplated in the transaction documents, which authorize Zombie Covariant to license "Model Weights" and "Model Weight Recipes" (the core AI architecture) only upon occurrence of a **pre-planned "Insolvency Event"**—and even then, only to a "Specified Prospective Partners" explicitly authorized by Amazon, and only by keeping receipts **in escrow until after insolvency**. (Page 110)

> for licenses to Specified Prospective Partners, the license shall not include access to any of the Company's Model Weights or the Company's Model Weight Recipes except to the extent released to such Specified Prospective Partner pursuant to a third-party escrow arrangement on customary terms where such release shall be contingent and occur solely upon the occurrence of an Insolvency Event; provided that such

10. Amazon's final $20 million licensing payment, set for one year after the deal date, is conditioned on **(1) Zombie Covariant staying on life support for one year, and (2) Amazon's new hires from Covariant sticking around at Amazon for a year.** (Note also that the combined annual compensation of Amazon's new hires pushes the total value of the deal well over the $400 million licensing fee.) (Page 103)

> **2.2** Initial Payment. Within one Business Day following the Effective Date, Amazon shall pay to the Company a non-refundable amount in cash equal to $380,000,000 (the "***Initial Payment***") by wire transfer to the account or accounts certified in writing as of the Effective Date to Amazon by a duly authorized officer of the Company.
>
> **2.3** Final Payment. Subject to Section 7.6, within five Business Days following the first anniversary of the Effective Date (the "***Anniversary Date***"), Amazon shall pay to the Company a non-refundable amount in cash equal to $20,000,000 (the "***Final Payment***" and, together with the Initial Payment, the "***Payment***") by wire transfer to the account or accounts certified in writing as of the date of the Final Payment to Amazon by a duly authorized officer of the Company so long as, and conditional upon, each of the Founders remaining continuously employed by any Employer Entity from the first date of their employment by an Employer Entity in connection herewith through to and including the Anniversary Date (the "***Founder Employment Condition***"); provided that if any Founder is not so

11. The remarkably complex[4] deal contemplates, following Amazon's final licensing payment of $20 million to Zombie Covariant, a final payout from Zombie Covariant to Covariant's former shareholders who were forcibly divested. This provides an incentive for Covariant's prior shareholders for going along with this charade to completion. But even portions of the contract that initially appear to promote good stewardship of Zombie Covariant appear to contain loopholes that undermine Zombie Covariant's ability to compete, and the rights of former shareholders.

12. For example, the deal gives special privileges to the two remaining executives of Zombie Covariant (Ted Stinson and Tianhao Zhang). Under **"Shortfall" terms**, unless the Zombie company is able to obtain at least $9 million in new money during the year, the final contemplated 2025 payment to former Covariant shareholders shall be reduced by up to $9 million, which is kept by Stinson and Zhang. (Pages 9-11). Former shareholders lose the $9 million of value to Stinson and Zhang, **even if Stinson and Zhang don't bother signing a single new contract**, or collecting payments from a single customer—not exactly an incentive for Stinson and Zhang to compete aggressively with Amazon going forward.

13. Moreover, and this is crucial, the final former shareholder payment calculation may **reduce Stinson and Zhang's shortfall payment by the amount of Covariant's cash reserves at the "Measurement Time" of 11:59 p.m. of the day before Amazon makes its final license payment.** (Page 9) This could reward Stinson and Zhang for wasting away to insolvency on schedule, and disincentivize fundraising activities that could result in healthy cash reserves.

[4] The final payment terms are so convoluted that the binding language appears irreconcilable. For example, the definition of 'Adjusted Cash Reserve Release Amount' is apparently self-referential through a cycle of four definitions, ultimately looping back to itself. The definition for 'Adjusted Cash Reserve Release Amount' relies on the definition for 'Cash Shortfall Amount,' which relies on the definition for 'Net Cash Amount,' which—closing the self-referential loop—itself relies on knowing the 'Adjusted Cash Reserve Release Amount,' the first term in the chain. See Transaction Documents, pages 9-10.

14. Ted Stinson, Covariant's current CEO, agrees that Zombie Covariant's remaining IP is worth very little. In the transcript attached and described below, Ted Stinson stated that the residual value of the company was between zero and "single digit to maybe low double-digit millions." Stinson described another deal to license the technology to a competitor of Amazon as not realistic, and explained the value of Covariant's residual IP as:

[redacted]

15. And in fact, since August 30, 2024, Zombie Covariant has wound down operations, rather than attempt to compete with Amazon going forward. In Covariant's Alumni Slack channel, on December 3, 2024, a participant confirmed that they had been recently let go. Their last task was to help liquidate Zombie Covariant's assets. They wrote "the physical assets are still in the process of being sold and most of the robots in the field, were donated to universities for tax value." See Covariant Alumni Slack 2024-12-3 liquidation screenshot, enclosed.

16. The documents refer to antitrust laws as "Regulatory Laws": (Page 121)

> "***Regulatory Laws***" means the Sherman Antitrust Act, the Clayton Antitrust Act of 1914, the Hart-Scott-Rodino Act, the Federal Trade Commission Act of 1914, the DMA, UK Enterprise Act 2002, the EU Merger Regulation, and all other Laws that are designed or intended to (i) prohibit, restrict, or regulate actions having the purpose or effect of monopolization or restraint of trade or significant impediments to or lessening of competition or the creation or strengthening of a dominant position through merger or

17. Supposedly, Zombie Covariant is an independent company. But on the topic of antitrust matters, Amazon is keeping Zombie Covariant on a short leash. (Page 134)

> **8.1** The Company shall, to the extent permitted under Law, (i) promptly inform Amazon of the receipt of any inquiry, notification, request for information, or investigation, from any Governmental Body in connection with the Transactions, including under any applicable Regulatory Laws, and provide Amazon with a copy of any notices or other written communications

18. But it goes much further. In fact, **Zombie Covariant may not even defend itself in legal proceedings "without prior written consent of Amazon."** In provisions which may be unprecedented between nominally independent corporate persons, if *Covariant* faces government inquiries on antitrust matters, it is *Amazon* that is responsible for all legal filings. Amazon even claims the right to "attend and lead" meetings with government investigators on Zombie Covariant's behalf. (Page 134)

Amazon shall have the right (x) to direct all matters relating to the Transactions with any Governmental Body under any applicable Regulatory Laws, and (y) to review in advance, and direct the revision of, any filing, application, notification, submission, or other document to be provided or made by the Company to any Governmental Body under any applicable Regulatory Laws in connection with the Transactions. The Company shall not, without the prior written consent of Amazon, permit any of the Company's representatives to participate in any meeting relating to the Transactions with any Governmental Body under any applicable Regulatory Laws unless the Company consults with Amazon in advance and, to the extent permitted by such Governmental Body, grants Amazon or its outside counsel the opportunity to attend and lead the discussions at such meeting.

19. Is a company like Covariant independent, if it cannot even agree to settle a case without Amazon's prior written consent? (Page 135)

the foregoing, Amazon may compel the Hired Service Providers to take, or the Licensed Technology in the hands of Amazon to become subject to, any Regulatory Restraint (or agree to take or become subject to any such Regulatory Restraint), and the Company may not take or agree to become subject to any Regulatory Restraint in connection with the matters contemplated by this Section 8.2 without the prior written consent of Amazon, unless such Regulatory Restraint (x) is

20. Aware of how transparently anti-competitive these terms are, as a condition for paying former Covariant shareholders, Amazon required them to keep the **transaction terms confidential for five years**. The statute of limitations for the Sherman Antitrust Act, 15 U.S. Code § 15b, is four years.[5] (Page 136)

10. Confidentiality; Public Statements.

10.1 The Company, for itself and on behalf of each of its controlled Affiliates and successors and assigns, and each Executing Equityholder, for himself and on behalf of his estate, successors and assigns, agrees that, during the five-year period commencing on the Closing Date, it, he or she shall hold any information regarding this Agreement, the License Agreement, the other Transaction Documents and the Transactions, including the amount, form, timing or structure of the consideration received by the Company hereunder and thereunder and the number of Company employees who accept employment with Amazon in connection with the Transactions and the number of Company employees that are retained by the Company in connection with the Transactions (such information, "***Transaction Information***"), in strict confidence and shall not divulge any such information to any third person (other than to her, his or its respective

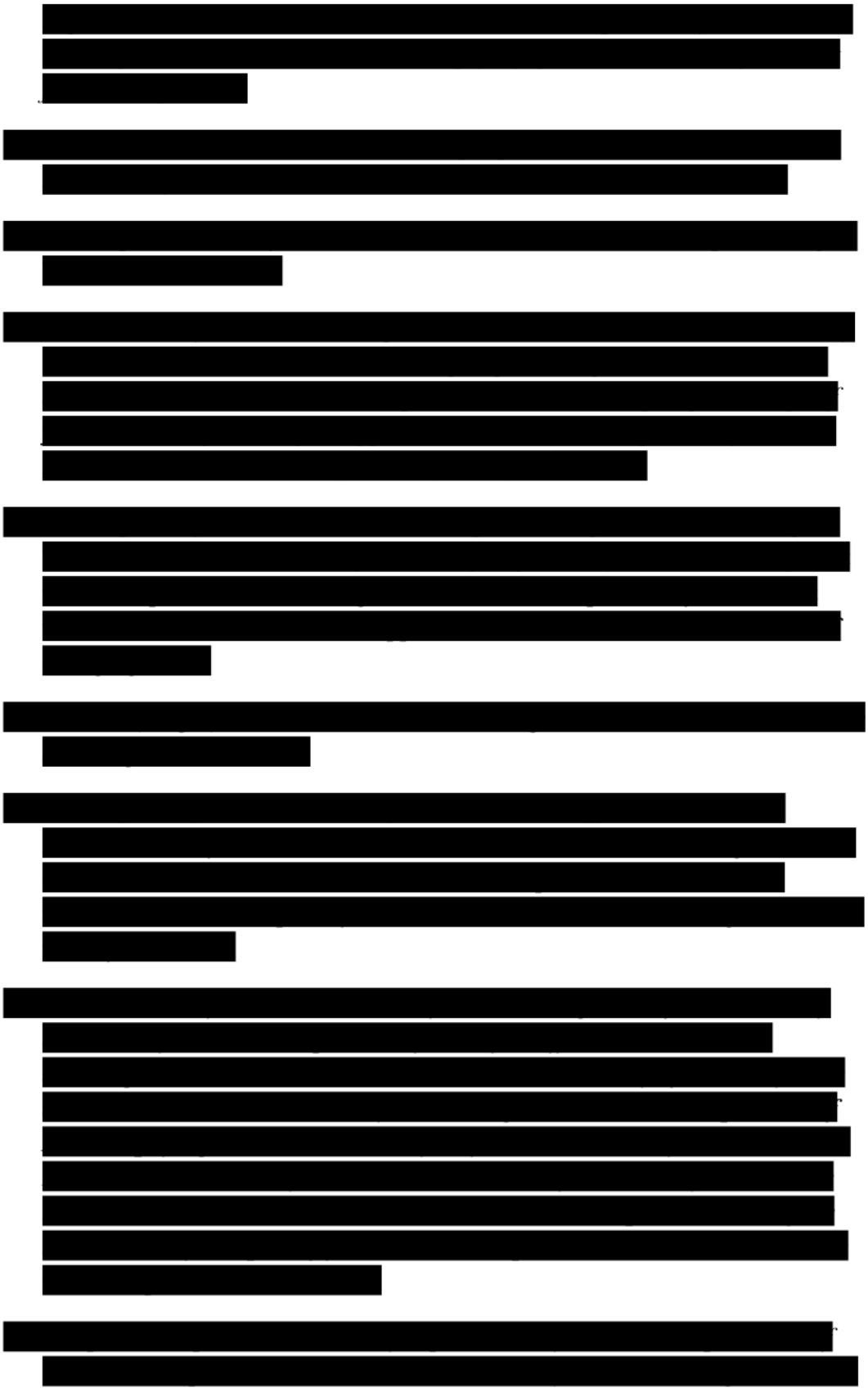
III. Conspirator Admissions of Unlawful Motive

21. If these documents leave any doubt about the purpose of these provisions, Zombie Covariant CEO Ted Stinson's own words clear things up. Stinson played a leading role in negotiating the deal, and approved and defended the final version. The

[5] However, the statute of limitations for criminal conspiracy, 18 U.S.C. § 371, as alleged here, is five years, see 18 U.S. Code § 3282.

[redacted] recording, lawfully obtained by my client, is available to governmental investigators upon request; bolding below is added by the author.

[redacted]



[redacted]

38. Based on Stinson's descriptions in the recording, it appears Covariant's founders felt that Amazon's market power meant they had very little leverage in the final deal. Notably, Stinson also used the word "acquisition" to describe the deal.

IV. Antitrust Analysis

39. The **Sherman Antitrust Act** prohibits "contract[s] …or conspiracy, in restraint of trade," 15 U.S.C. § 1, and monopolies and attempted monopolies, § 2. Violations amount to felonies with individual prison sentences up to 10 years and large monetary fines.[6] 15 U.S.C. §§ 1, 2. Companies may not "threaten" or "harass" whistleblowers reporting antitrust violations. 15 U.S. Code § 7a–3. Sherman Act claims may be brought by affected private parties (15 U.S. Code § 15), the U.S. government (15 U.S. Code § 15a), or state Attorneys General (15 U.S. Code § 15c). Remedies can include injunctions restricting future conduct, or even breaking up or restructuring perpetrators, see, e.g., 15 U.S. Code § 26.

40. The **Clayton Antitrust Act**, 15 U.S. Code § 18, states that "no person subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another person…, where in any line of commerce or in any activity affecting commerce …, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly." The Clayton Act is subject to civil, not criminal, enforcement.

41. The **Federal Trade Commission Act**, 15 U.S.C. § 45, prohibits "unfair methods of competition." The Act empowers the FTC to investigate and prosecute violations through administrative orders or federal court actions. Remedies include cease-and-desist orders, restitution for consumers, and civil penalties. Unlike the Sherman and Clayton Acts, the FTC Act does not require proof of intent to monopolize or substantially lessen competition, focusing instead on consumer protection and maintaining fair market practices.

42. The broad wording of the Sherman, Clayton and FTC Acts, and the incredible diversity of cases implicating competition across a huge and complex economy since the Sherman Act's original passage in 1890, mean that antitrust /anti-competition

[6] See Justice Manual, https://www.justice.gov/jm/jm-7-2000-prior-approvals#7-2.200

enforcement relies on judicially-developed principles that have evolved over decades. The Department of Justice and Federal Trade Commission's 2023 Merger Guidelines[7] do not necessarily prohibit "innocent" monopolies built by superior innovation, quality or service, but Section 2.6, Guideline 6 states that:[8]

> Mergers Can Violate the Law When They Entrench or Extend a Dominant Position…the Agencies first assess whether one of the merging firms has a dominant position…A merger may create or enhance barriers to entry or expansion by rivals that limit the capabilities or competitive incentives of other firms. Barriers to entry can entrench a dominant position even if the nature of future entry is uncertain…Depriving Rivals of Scale Economies or Network Effects. Scale economies and network effects can serve as a barrier to entry and competition. Depriving rivals of access to scale economies and network effects can therefore entrench a dominant position…Extending a Dominant Position into Another Market: The Agencies also examine the risk that a merger could enable the merged firm to extend a dominant position from one market into a related market, thereby substantially lessening competition or tending to create a monopoly in the related market.

43. Under these standards, the Amazon / Covariant transaction likely violates the Sherman, Clayton and/or FTC Acts. Amazon obviously has a dominant position in ecommerce; it used that dominant position to impose questionable terms on Covariant; the deal allows Amazon to expand its dominant position to control robotics applications far beyond the realm of ecommerce. Moreover, Covariant robots are peerless — the only robots on earth able to complete a prominent contest.[9] With such a head start, and because machine learning models are data-driven and evolutionary, it is likely that no other AI Robotics competitor will reasonably catch Covariant / Amazon. Experts have observed that technologies which generate a positive feedback loop of data can sustain a natural monopoly for decades if not longer, e.g. Google Search.[10] There is no organization that could field as many e-commerce logistics robots, and therefore collect as much data as Amazon, which also enjoys oligopic positions in vertically integrated markets such as logistics, and cloud based AI. In this cyber physical context, the tendency towards natural monopoly from data generation is compounded by the monopolistic pressure caused by the expense of training large foundation AI models[11].

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[7] See https://www.ftc.gov/system/files/ftc_gov/pdf/2023_merger_guidelines_final_12.18.2023.pdf.
[8] Id., p. 18-21.
[9] The ABB picking challenge, see https://youtu.be/a6bim_76Omc
[10] McIntosh, Daniel. *We Need to Talk About Data: How Digital Monopolies Arise and Why They Have Power and Influence.* University of Florida Journal of Technology Law & Policy, Vol. 23, 2023, pp. 1–35. Available at: https://scholarship.law.ufl.edu/cgi/viewcontent.cgi?article=1188 context=jtlp
[11] Smith, J. A. (2025). *Evaluating Natural Monopoly Conditions in the AI Foundation Model Market*. Journal of Artificial Intelligence Research, 47(3), 345-367. Available at:

44. Furthermore, the broad market impact and general utility of Covariant's technology cannot be overstated. Covariant advertises "The Covariant Brain, a Universal AI Platform [...] Empowering Robots to See, Think, and Act." It provides foundational skills to "See" by understanding the location, size, shape, material properties, and affordances of physical objects; "Think" by reasoning to create multi-step approaches to problem-solving; and "Act" by commanding the robot to move while continuously monitoring and adapting to new proprioceptive data. These are the fundamental skills required for any physical task. In this way, Covariant's product is better understood as an AI platform where fundamental skills can be composed and assembled. Data from picking up and placing items in warehouses exposes the robots to nearly all household objects. Intuitively, familiarity with household objects will transfer well to related tasks like stocking shelves or tidying homes. However, one of the triumphs of deep learning is that data from one task is highly valuable even for seemingly distantly related tasks.[12] Robotic plumbers, chefs, or companions can be expected to leverage the foundational knowledge of physics and human life that is gathered through a million lifetimes of experience gathered from Covariant's first "killer app"—using robots to pick and place items in warehouses.

45. The Federal Trade Commission Act Section 5. 15 U.S. Code § 45, prohibits "deceptive acts or practices in or affecting commerce." By making press releases[13] portraying the license agreement as non-exclusive, Amazon masks the true extent of its control over Covariant's technology and market potential, thereby deceiving market participants about their ability to access the technology.

46. The **Hart-Scott-Rodino Act**, 15 U.S. Code § 18a, states that "no person shall acquire… assets of any other person, unless both persons …file notification [with the FTC[14]] … and the [30-day] waiting period … has expired," for transactions exceeding the threshold, which was $119.5 million in 2024.[15] Obviously the Amazon / Covariant deal, for $400 million licensing plus the compensation paid to Amazon's new hires, exceeds the threshold. The daily penalty for HSR violations is $51,744.[16] If a notice for this transaction should have been, but was not in fact, filed on July 31, 2024, then as of January 14, 2025, the parties would owe penalties on 167 days, which comes to $8,641,248 and counting.

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https://www.rand.org/content/dam/rand/pubs/research_reports/RRA3400/RRA3415-1/RAND_RRA3415-1.pdf

[12] See https://ieeexplore.ieee.org/abstract/document/9134370

[13] https://www.aboutamazon.com/news/company-news/amazon-covariant-ai-robots

[14] See FTC Premerger Notification Program at https://www.ftc.gov/enforcement/premerger-notification-program.

[15] See https://www.ftc.gov/enforcement/competition-matters/2024/02/new-hsr-thresholds-filing-fees-2024.

[16] See https://www.ftc.gov/news-events/news/press-releases/2024/01/ftc-publishes-inflation-adjusted-civil-penalty-amounts-2024.

47. FTC regulations prohibit structuring transactions to avoid required reporting. See 16 C.F.R. § 801.90, Transactions or devices for avoidance:

> Any transaction(s) or other device(s) entered into or employed for the purpose of avoiding the obligation to comply with the requirements of the act shall be disregarded, and the obligation to comply shall be determined by applying the act and these rules to the substance of the transaction.

48. Hart-Scott-Rodino filings with the FTC are confidential.[17] While my client does not know with certainty, it appears highly unlikely that the Amazon / Covariant deal was properly reported under Hart-Scott-Rodino. The licensing deal included extensive Representations and Warranties by both parties, containing various assertions that the companies are in good standing, have authority to execute the deal, have disclosed existing liabilities, etc. But, the wording of Covariant's representations and warranties with respect to antitrust compliance (called "Regulatory Laws") are extremely unusual, appear to reference Hart-Scott-Rodino indirectly, and attempt to place liability for antitrust violations squarely on Amazon (emphasis added):

> The [Covariant] Company hereby represents and warrants to Amazon as follows:...The execution and delivery by the Company of this Agreement…will not … result in any violation … of .. applicable Law***, except for***… ***Regulatory Laws***…[18]

> No…approval… or filing with or notification to, any party is required on the part of the Company in connection with [the transaction]…***other than any … filing, or notification… under applicable Regulatory Laws…***[19]

> The Company ***shall not have any indemnification***, defense, or hold harmless ***obligation… to the extent any Losses … result from… Regulatory Laws*** [which is notably different from Covariant's general commitment to indemnify Amazon for other violations by Covariant][20]

49. Amazon's parallel representations and warranties differ in notable ways. Amazon states that the deal will not violate its certificate of incorporation, bylaws, or other contractual obligations, but is completely silent on antitrust laws and "Regulatory Laws." In other words: Where Covariant explicitly disavows antitrust compliance, Amazon maintains a deliberate silence on the issue. Amazon then attempts to claim that no filing is required under Hart-Scott-Rodin or any other law:[21]

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[17] See FTC Hart-Scott-Rodino Premerger Notification Program Introductory Guide I, 2023, page 8, available at https://www.ftc.gov/sites/default/files/attachments/premerger-introductory-guides/guide1.pdf.
[18] Page 104-105.
[19] Page 105.
[20] Page 111.
[21] Pages 108-109.

> **4. Representations and Warranties of Amazon.** Amazon hereby represents and warrants to the Company as follows:

> **4.5 No Consent.** No consent, waiver, approval, or authorization of, or filing with or notification to, any party is required on the part of Amazon in connection with (i) the execution and delivery of this Agreement or the other Amazon Transaction Documents, (ii) the compliance by Amazon

50. **Investor Fraud:** 17 C.F.R. § 240.10b-5, enforced by the SEC, prohibits corporate fraud and also "[t]o make any untrue statement of a material fact" to investors. In this case, Amazon told investors that its Covariant license was "non-exclusive,"[22] which amounts to a material misrepresentation for the reasons described above. See Amazon Official Statement Covariant 2024-8-30, enclosed. To the extent Amazon's material misrepresentations trigger antitrust scrutiny, they may also cause financial harm to investors.

51. **Conspiracy:** The evidence presented here supports the charge of criminal conspiracy, 18 U.S. Code § 371, for Mr. Stinson and his co-conspirators:

> If two or more persons conspire either to commit any offense against the United States, …and one or more of such persons do any act to effect the object of the conspiracy, each shall be fined under this title or imprisoned not more than five years, or both.

52. **California Corporate Bribery/Extortion:** On information and belief, Mr. Stinson's recorded statements support state law charges in the state of California, including Commercial Bribery or attempted Commercial Bribery, see Cal. Penal Code § 641.3, and/or Extortion, Ca. Penal Code § 518. While California law normally prohibits recording calls without the consent of all parties, those provisions "do not prohibit one party to a confidential communication from recording the communication for the purpose of obtaining evidence reasonably believed to relate to the commission by another party to the communication of the crime of extortion, …bribery," and other crimes, Cal. Penal Code 633.5.

53. **Delaware Corporate Law Violations:** Although not the focus of this disclosure, the Amazon / Covariant deal (and the simultaneous Covariant merger transaction that permitted the company to pay prior shareholders and push them out) also apparently violated Delaware corporate law, where Covariant is incorporated. For example, Delaware requires notice periods to shareholders; Covariant's prior shareholders were not notified until after the deal. Delaware requires that shareholders receive corporate financial statements; shareholders in this deal were denied access and told they would have to litigate.

[22] See https://www.aboutamazon.com/news/company-news/amazon-covariant-ai-robots

54. Significantly, because of the need to keep Zombie Covariant alive for another year, over $56 million from Amazon that could have been paid to Covariant's prior shareholders was sent back into Zombie Covariant (to pay 20 staff to navel-gaze for a year) and to pay taxes that would not have been due under a normal acquisition. This is what Stinson was referring to, above, when he called the transaction structure "so inefficient." From Project Variation Waterfall enclosure:

Initial Consideration Amount	**$380,000,000.00**
+ Sources and Uses	($56,146,335.00)
Distribution Potential	**$323,853,665.00**

55. Furthermore, Zombie Covariant received tens of millions of dollars of value in non-cash assets such as robots, machine learning hardware, automation equipment, a patent portfolio, revenue streams from existing customers, and the remaining value of all AI models, recipes, and data. No attempt was made to compensate shareholders for these assets. As the above Waterfall enclosure shows, the shareholder distribution was solely from cash obtained from Amazon. In a self-dealing agreement, the executives of pre-transaction Covariant left the above assets to the two continuing executives and sole shareholders of Zombie Covariant in exchange for merely $100k of shares.

56. Finally, if any former Covariant shareholders challenged this unusual deal in the Delaware Court of Chancery, they would just be taking from themselves — the company's legal costs in defending the deal are deducted from Amazon's final $20 million payment before it is distributed to former shareholders. Page 24 of the transaction documents state that the Additional Payment Amount to shareholders one year later will be reduced by "any…payments…to any third party, including legal,…incurred in connection with the calculation and subsequent distribution of the Additional Payment Amount." [redacted]

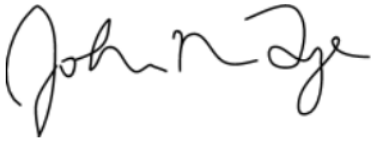
[redacted]

[redacted]

V. Conclusion

57. For the foregoing reasons, we urge you immediately to open investigations into Amazon's reverse acquisition-hire of Covariant AI. My client is eager to speak to you. Of course, please contact me anytime with the information below.

Sincerely,



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Enclosures:

1. Amazon / Covariant transaction documents
    a. Part 1, pages 1-42
    b. Part 2, pages 43-93
    c. Part 3, pages 94-123
    d. Part 4, pages 124-145
    e. Part 5, pages 146-172
    f. Part 6, pages 173-201
2. Printable Project Variation - Waterfall
3. Covariant Alumni Slack 2024-12-3 liquidation
4. Amazon Official Statement Covariant 2024-8-30

[23] Admitted to practice law in Washington, DC.

5. Transcript of Ted Stinson recording